

BEFORE THE
ILLINOIS COMMERCE COMMISSION

Northern Illinois Gas Company D/B/A)	
Nicor Gas Company)	
Proposed general increase in rates,)	Docket No. 04-0779
)	
and revisions to other terms and)	
conditions of service.)	

**TESTIMONY OF
B.J. HILTON**

Business Energy Alliance and Resources LLC

March 1, 2005

BEAR Exhibit 1

DIRECT TESTIMONY OF B.J. HILTON

Q. Please state your name and address.

A. My name is B.J. Hilton. My address is 23684E 1300N Road, Bloomington, Illinois.

Q. On whose behalf are you testifying in this proceeding?

A. I am testifying on behalf of the Business Energy Alliance and Resources, LLC (“BEAR”), which is an organization consisting of commercial customers engaged in the business of grain drying. I am one of the founders of BEAR.

Q. Do the grain dryers have a special use pattern?

A. The grain dryers are agricultural customers who use gas to remove excess moisture from corn. Grain drying occurs primarily just after harvesting. Therefore, the grain dryers’ highest use occurs during the months of September and October. Although there may be times when it is necessary to dry corn in the winter months, grain dryers avoid that practice because it requires more fuel to achieve the desired processing temperatures.

Q. Does this usage pattern affect Nicor’s costs of service grain dryers?

A. Yes. Because grain dryers do not contribute to the system peak, they drive very little of the company’s investment in transmission and distribution.

Q. Mr. Harms indicated in his direct testimony that the company wished to negotiate a special rate that could be used by grain dryers. Has BEAR negotiated such a rate with Nicor Gas?

A. Yes. BEAR met with Nicor and presented it with its concerns. Subsequent to that meeting, Nicor proposed new tariffs Rate 5 and Rate 75 that establish new

rates for customers with low usage during the winter. BEAR has reviewed these tariffs and find them to meet its needs. Copies of the tariffs that BEAR and Nicor negotiated are attached to this testimony as Schedule BJH - 1.

Q. Has BEAR evaluated the rate design proposal of Nicor Gas beyond its new winter use tariffs?

A. Yes. On behalf of BEAR, I have reviewed the overall rate design proposal of Nicor Gas. More specifically, I have considered its proposal that the Commission use the company's marginal cost of service study to guide it in designing rates, with the tail block for distribution rates being based on the marginal cost of additional use, and fixed costs that are not included in customer charges being collected through initial block rates, and I find this rate design scheme reasonable. Additionally, I have reviewed the company's proposal for allocating revenue requirement between residential and non residential customers and its proposal to partially constrain the residential rate increase. I understand that this approach is taken to prevent rate shock and I support this approach.

Q. What is BEAR's opinion on Nicor Gas' rate design and interclass revenue allocation?

A. BEAR finds that Nicor Gas' rate design and its interclass allocation of revenue requirement are both appropriate and desirable.

Q. Does this conclude your testimony?

A. Yes.

Rate 5
Seasonal Use Service

Availability.

This rate is available to any eligible Customer using the Company's gas service for minimal winter use where such winter use during each billing month of January through April represents less than five (5) percent of the total annual usage during the twelve (12) billing months prior to eligibility determination. Billing month shall be defined by the ending date of the bill period. Eligibility will be determined in April of each year. Eligibility shall be further contingent upon (i) the request by a qualified Customer, (ii) customer receiving gas service for the twelve (12) consecutive months preceding eligibility determination, and (iii) customer utilizing no more than 250,000 therms during the eligibility period. Customers deemed ineligible for this rate shall be placed on Rate 4, General Service for a period of one (1) year.

Charges shall be the sum of (a), (b) and (c).

- (a) **Monthly Customer Charge**
The Monthly Customer Charge shall be based on meter class capacity in cubic feet per hour (cfh) at low pressure delivery as follows:
- | | <u>Meter Class</u> |
|--------------------|------------------------------|
| \$ 18.00 per month | A. (less than 1,000 cfh) |
| \$ 57.50 per month | B. (1,000-10,000 cfh) |
| \$130.50 per month | C. (greater than 10,000 cfh) |
- (b)

<u>Distribution Charge</u> (Effective as of October 2, 2005)	<u>Distribution Charge</u> (Effective as of January 1, 2007)	<u>Billing Months</u>
3.80¢ per therm	xx.xx¢ per therm	January through April
3.26¢ per therm	x.xx¢ per therm	May through December
- (c) **Gas Supply Cost**
The Gas Cost (GC) per therm supplied in the month as determined in accordance with the Company's Rider 6, Gas Supply Cost.

Term of Contract.

The initial term of contract hereunder shall be one year, except that the Customer may convert to Rate 4, 6 or Rate 7 at any time.

The initial term shall commence when the Company begins to supply gas hereunder and, after the expiration of such initial term, the contract shall be automatically renewed each year for a period of one year. The Customer shall have the right to terminate service under the contract at the end of any month on 30 days' written notice to the Company; provided, however, that in the event of termination, all amounts due the Company shall forthwith be paid, including the Monthly Customer Charge for the unexpired portion of the initial term of contract.

General.

The Schedule of which this rate is a part includes certain general Terms and Conditions and Riders. Service hereunder is subject to these Terms and Conditions and the Riders which are listed as applicable to this rate.

Rate 75
Seasonal Use Transportation Service

Availability.

For any commercial or industrial Customer at a single location who enters into a contract with the Company hereunder, to transport Customer-owned gas from an interconnection with a pipeline supplier of the Company to the Customer's premises; and

- (a) where the Customer's monthly metered use during the months of December through March shall be less than five (5) percent of Customer's total annual metered usage. Availability shall be contingent upon a qualified Customer's valid request and shall be limited to customers with twelve consecutive months of service with metered deliveries not to exceed 250,000 therms annually; and
- (b) where the Customer has contracted for transportation of direct purchases from the delivery point of the seller to an existing interstate pipeline interconnection with the Company's facilities as approved by the Company, which interconnection, in the sole judgment of the Company, is capable of receiving the Customer's gas without impairment of anticipated deliveries of any gas supplies to be purchased by the Company for general system use; and
- (c) where the final pipeline transporter of such Customer-owned gas agrees to provide daily delivery data for such gas to the Company; and
- (d) where satisfactory evidence of Customer's contracts with seller(s) and intrastate or interstate transporters are provided to the Company; and
- (e) where all such arrangements have been approved by each regulatory agency having jurisdiction over such matters, to the satisfaction of the Company; and
- (f) where Customer provides a telephone line to within six (6) feet of the meter, which telephone line shall be directly accessible. The telephone line must terminate with an approved demarcation box. The Customer's telephone service must conform to the specifications of the metering equipment, and the metering equipment will not be installed by the Company until the required telephone line is available.

Customers served hereunder shall have their metered usage and nominations daily balanced in accordance with any transportation and storage provisions.

Winter Period Usage.

During the months of December through March, Customer shall reduce its monthly metered usage to less than five (5) percent of the total annual usage during the twelve (12) months prior to eligibility determination. Eligibility will be determined in April of each year. Absent the receipt by the Company of written notification from Customer prior to May 10th, requesting to be placed on Rate 4, General Service, Customer, if deemed ineligible for this rate, shall be placed on Rate 74, General Transportation Service for a period of one (1) year.

(Continued On Sheet No. 21.4)

Rate 75
Seasonal Use Transportation Service

(Continued From Sheet No. 21.3)

Charges shall be the sum of (a) through (f).

- (a) Administrative Charge
\$25.00 per month for an individual account. Group accounts will be charged \$7.00 per month per account with a minimum group charge of \$32.00.
- (b) Recording Device Charge
\$5.00 per month per each account with a diaphragm meter; or
\$12.00 per month for each account for all other meter types
- (c) Monthly Customer Charge
The monthly Customer Charge shall be based on meter class capacity in cubic feet per hour (cfh) at low pressure delivery as follows:
- | | <u>Meter Class</u> |
|--------------------|------------------------------|
| \$ 18.00 per month | A. (less than 1,000 cfh) |
| \$ 57.50 per month | B. (1,000-10,000 cfh) |
| \$130.50 per month | C. (greater than 10,000 cfh) |
- | <u>(d) Distribution Charge</u>
(Effective as of October 2, 2005) | <u>Distribution Charge</u>
(Effective as of January 1, 2007) | <u>Therms Supplied
in Months</u> |
|---|---|--------------------------------------|
| 2.75¢ per therm | xx.xx¢ per therm | December through March |
| 1.84¢ per therm | x.xx¢ per therm | April through November |
- (e) Storage Banking Service (SBS) Charge
0.38¢ per therm per month for all therms of Storage Banking Service capacity.

Customers may annually select Storage Banking Service capacity with a minimum selection of 1 times their Maximum Daily Contract Quantity (MDCQ) subject to the provisions included in Terms and Conditions.

For each therm of Company-supplied Gas delivered under this service, the charge shall be considered Authorized Use.

- (f) Firm Backup Service (FBS) Charge
The monthly charge for Firm Backup Service shall be the selected Firm Backup Service quantity (in therms) multiplied by the Demand Gas Cost (DGC) as defined in Rider 6.

For each therm of Company-supplied Gas delivered under this service, the charge shall be the Rider 6 Commodity Gas Cost (CGC).

(Continued On Sheet No. 21.5)

Rate 75
Seasonal Use Transportation Service

(Continued From Sheet No. 21.4)

- (g) Excess Storage Charge
10¢ per therm for the maximum amount in storage in excess of the Customer's Storage Banking Service capacity on any day during the billing period. If such maximum excess amount is less than five percent of the Customer's Storage Banking Service capacity, the Excess Storage Charge shall not apply. Revenues arising through the application of the Excess Storage Charge will be credited to Rider 6, Gas Supply Cost.
- (h) Requested Authorized Use Charge
For each therm of Requested Authorized Use, the charge shall be the higher of: (a) the Rider 6 Gas Cost (GC); or (b) the Market Price as defined in the Terms and Conditions applicable to this rate.
- (i) Authorized Use Charge
For each therm of Authorized Use, the charge shall be the higher of: (a) the Rider 6 Gas Cost (GC); or (b) the Market Price as defined in the Terms and Conditions applicable to this rate.
- (j) Unauthorized Use Charge
For each therm of Unauthorized Use, the charge shall be the sum of \$6.00 plus the higher of: (a) the Rider 6 Gas Cost (GC); or (b) the Market Price as defined in the Terms and Conditions applicable to this rate.
- Revenues arising from the application of the \$6.00 per therm charge hereunder shall be credited to Rider 6, Gas Supply Cost.
- (k) Transition Surcharge
The Transition Surcharge (TS) per therm, as determined in Rider 6, Gas Supply Cost, applied to total Customer usage less Company-supplied Gas.
- (l) Operational Flow Order (OFO) Non-Performance Charge
On any day where the Company has imposed an Operational Flow Order, each therm of underdelivery of the Required Daily Delivery Range will be sold to the Customer and the charge will be 200% of the high price of gas as reported for Chicago citygate deliveries by Gas Daily for each day of Non-Performance. In the event that Gas Daily is unavailable, then a reported Chicago citygate price of another similar publication, as determined in the Company's sole discretion, shall be used.

On any day where the Company has imposed an Operational Flow Order, each therm of overdelivery of the Required Daily Delivery Range will be purchased from the Customer and the payment will be 50% of the low price of gas as reported for Chicago citygate deliveries by Gas Daily for each day of Non-Performance. In the event that Gas Daily is unavailable, then a reported Chicago citygate price of another similar publication, as determined in the Company's sole discretion, shall be used.

(Continued On Sheet No. 21.6)

**Rate 75
Seasonal Use Transportation Service**

(Continued From Sheet No. 21.5)

Storage.

On any day in which Customer-owned gas delivered to the Company, as adjusted for unaccounted-for gas, exceeds the Customer's metered gas deliveries from the Company, the difference between such deliveries shall be the volume of gas held in storage by the Company and available for the Customer's use. The Customer may place into storage amounts up to the Storage Banking Service capacity.

On a Critical Day or an OFO Shortage Day, withdrawal of gas from storage shall be limited to the Customer's Storage Withdrawal Factor (SWF) times 0.021 times the Storage Banking Service capacity.

On any day, other than a Critical Day or an OFO Shortage Day, in which Customer-owned gas delivered to the Company, as adjusted for unaccounted-for gas, is less than the Customer's metered gas deliveries from the Company, the balance of any gas held in storage for the Customer's account will be used.

See Terms and Conditions for Order of Deliveries.

Contract.

The initial term of the contract shall be one year. The initial term shall commence when the Company begins to supply gas service hereunder and shall be automatically renewed each year for a period of one year. The contract will specify, in terms, the Maximum Daily Contract Quantity, the Storage Banking Service capacity and the Firm Backup Service quantity.

Company reserves the right to refuse to enter into any contract which specifies an unreasonably high Maximum Daily Contract Quantity.

The Customer shall have the right to terminate service under the contract at the end of any month on 30 days' written notice to the Company; provided, however, that in the event of termination, all amounts due the Company shall forthwith be paid, including, but not limited to, the Monthly Customer, Recording Device, and Administrative Charges for the unexpired portion of the initial term of contract and, if applicable, the Storage Banking Service, Firm Backup Service and Gas Supply Cost charges until June 1. A Customer may not voluntarily discontinue transportation service and subsequently renew transportation service under this rate or different transportation service provisions within a period of 12 consecutive months at the same premise.

General.

The schedule of which this rate is a part includes certain Terms and Conditions and Riders. Service hereunder is subject to these Terms and Conditions and the Riders which are listed as applicable to this rate, including but not limited to, Transportation Limitations and Amounts, Maximum Daily Contract Quantity, definitions of Critical Day, definitions of an Operational Flow Order Day, Requested Authorized Use, Authorized Use, and Unauthorized Use.